

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 95-1090-C - ORDER NO. 96-97
FEBRUARY 12, 1996

IN RE: Petition of International Telecommuni-) ORDER
cations Exchange Corporation and Corporate) APPROVING
Telemanagement Group, Inc. for Approval of) ASSET
Asset Sale.) SALE

This matter comes before the Public Service Commission of South Carolina (the "Commission") on the Petition of Corporate Telemanagement Group, Inc. ("CTG") and International Telecommunications Exchange Corporation ("INTEX")(collectively referred to herein as the "Petitioners") requesting approval of the sale of certain assets from INTEX to CTG. The Petition was filed on July 18, 1995, pursuant to S.C. Code Ann. §58-9-310 (Supp. 1994) and the Regulations of the Public Service Commission. Since the original Petition was filed in this case, CTG has been acquired by LCI Telemanagement Corporation ("LCI" or "LCI Telemanagement"). That acquisition was approved by the Commission on August 30, 1995, by Order No. 95-1483. In that Order, the Commission approved the transfer of all of CTG's assets to LCI Telemanagement and the merger of CTG into LCI Telemanagement. CTG ceased to exist as a separate corporation, and LCI continues to provide service to CTG's customers under the same rates and terms as set forth in CTG's former tariff. Since CTG has merged into

LCI Telemanagement, LCI Telemanagement is actually the entity seeking to acquire the tangible assets of INTEX. CTG and LCI Telemanagement will be referred to hereinafter as "CTG/LCI."

The Commission's Executive Director instructed the Petitioners to publish, one time, a prepared Notice of Filing in newspapers of general circulation in the affected areas. The purpose of the Notice of Filing was to inform interested parties of the Petition and of the manner and time in which to file the appropriate pleadings for participation in the proceeding. The Petitioners complied with this instruction and provided the Commission with proof of publication of the Notice of Filing. No Petitions to Intervene were filed in this matter.

A public hearing was commenced on January 17, 1996, at 10:30 a.m. in the Commission's Hearing Room. The Honorable Rudolph Mitchell, Chairman, presided. The Petitioners were represented by Faye A. Flowers, Esquire. Catherine D. Taylor, Staff Counsel, represented the Commission Staff.

Mr. Scott McMahon, Regulatory Attorney for LCI International, the parent Company of LCI Telemanagement (CTG/LCI), appeared and offered testimony in support of the Petition. He stated that CTG/LCI and INTEX are certified by this Commission to provide intrastate resold telecommunications services in South Carolina. Mr. McMahon further explained that on January 3, 1995, CTG/LCI and INTEX signed an Agreement for Sale and Purchase of Assets pursuant to which they contemplate that CTG/LCI will acquire the long distance business and substantially all of the assets of INTEX.

Specifically, the transaction for which approval is sought involves transfer of the following assets from INTEX to CTG/LCI: (a) all customer contracts, rights, lists, records, billing and all other customer information relating to its customers; (b) all sales agents rights, lists, records, payment and other information relating to sales agents; and (c) all trademarks, copyrights, tradenames, corporate names, patents, licenses, telephone numbers, and listings, goodwill, and any other tangible assets, including leases and contracts. Upon closing the transaction, CTG/LCI will provide telecommunications services to INTEX's former customer base. INTEX presently has approximately thirty-nine (39) customers in South Carolina, who generate an average total of \$7,000 in intrastate revenues per month.

Mr. McMahon testified that the transfer of assets will not adversely affect the provision of telecommunications services in South Carolina, and that during transition, the customers will continue to be able to purchase the same services from CTG/LCI which they currently purchase from INTEX at the same rate and under the same terms and conditions. CTG/LCI anticipates a transition period of approximately six months to fully integrate INTEX's former customers into existing operations. CTG/LCI will initially continue billing INTEX's former customers under INTEX's tariff with bills that identify both INTEX and CTG/LCI. Mr. McMahon further stated that all of INTEX's customers will be sent appropriate and timely notice of the transaction. Upon consummation of the transaction, INTEX will discontinue providing

service to its South Carolina customers. During the transition, CTG/LCI will migrate the INTEX customer rates and products onto its tariff as filed with the Commission, and the customer's bill will identify INTEX and CTG/LCI, but there will be only one tariff and certificate.

Mr. McMahon continued by explaining that the proposed merger offered several advantages: (1) CTG/LCI's management and telecommunications experience will benefit INTEX's South Carolina customers; (2) the asset transfer will expand CTG/LCI's customer base, thus enabling the Company to generate economies of scale and efficiency of operations; and (3) the transaction will invigorate competition in the intrastate long distance market. Finally, Mr. McMahon assured the Commission that the Petitioners would abide by the Commission's Rules and Regulations.

Upon review and consideration of the Petition, applicable law, and the evidence presented at hearing, the Commission hereby issues its findings of facts and conclusions of law:

FINDINGS OF FACT

1. INTEX is a Delaware corporation certified by this Commission to operate as a reseller of intrastate interexchange telecommunications services in South Carolina pursuant to Order No. 91-1080.

2. LCI Telemanagement Corporation is a Delaware corporation which is wholly owned by LCI International and certificated by the Commission to provide interexchange telecommunications services in South Carolina pursuant to Order No. 95-1483.

3. LCI International, Inc. ("LCII") is a publicly-held Delaware corporation and the parent company for all LCI companies.

4. CTG was acquired by LCI Telemanagement Corporation as approved by this Commission on August 30, 1995, by Order No. 95-1483. CTG ceased to exist as a separate corporation, and LCI Telemanagement provides service to CTG's customers under the same rates and terms as set forth in CTG's former tariff.

5. CTG/LCI Telemanagement and INTEX wish for CTG/LCI Telemanagement to acquire the long distance business and substantially all of the assets of INTEX. Specifically, the transfer would involve the acquisition of (a) all customer contracts, rights, lists, records, billing and all other customer information relating to its customers; (b) all sales agents rights, lists, records, payment and other information relating to sales agents; and (c) all trademarks, copyrights, tradenames, corporate names, patents, licenses, telephone numbers, and listings, goodwill, and any other tangible assets, including leases and contracts.

6. On January 3, 1995, CTG/LCI and INTEX signed an Agreement for Sale and Purchase of Assets pursuant to which they contemplate that CTG/LCI will acquire the long distance business and substantially all of the assets of INTEX.

7. Upon closing this transaction, CTG/LCI will provide telecommunications services to INTEX's former customer base.

8. Because the transfer of assets will be made in seamless fashion, INTEX's former customers will not be adversely affected.

Customers will be able to purchase the same service from CTG/LCI that they currently purchase from INTEX at the same rates and under the same terms and conditions.

CONCLUSIONS OF LAW

1. Based on the above findings of fact, the Commission hereby determines that the sale of assets from INTEX to CTG/LCI is in the public interest, and, therefore, the Commission approves the requested asset transfer as stated herein. Specifically, the transfer of (a) all customer contracts, rights, lists, records, billing and all other customer information relating to its customers; (b) all sales agents rights, lists, records, payment and other information relating to sales agents; and (c) all trademarks, copyrights, tradenames, corporate names, patents, licenses, telephone numbers, and listings, goodwill, and any other tangible assets, including leases and contracts from INTEX and CTG/LCI is approved.

2. The transfer of assets and merger as discussed herein are in the public interest because these transactions enable CTG/LCI to operate more efficiently, introduce new products, and continue to expand operations, thereby offering new and improved services to customers in South Carolina.

3. INTEX is strongly urged by this Commission to provide the Commission with viable information regarding the status of its operations in South Carolina, and the Commission suggests INTEX petition for cancellation of its Certificate of Public Convenience and Necessity for South Carolina if appropriate.

4. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director

(SEAL)